

POWAY UNIFIED SCHOOL DISTRICT
COUNTY OF SAN DIEGO
POWAY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2008

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Introductory Section

Poway Unified School District
Audit Report
For The Year Ended June 30, 2008

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Financial Section

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Independent Auditor's Report on Financial Statements

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Poway Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of Poway Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Poway Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2008

**Poway Unified School District
Management's Discussion and Analysis
Fiscal Year 2007-08
(Unaudited)**

Profile of the District

Poway Unified School District (District) was formed in 1962 and serves the children of Poway, Rancho Bernardo, Rancho Penasquitos, Carmel Mountain Ranch, Sabre Springs, Black Mountain Ranch, Torrey Highlands, 4S Ranch and Santa Fe Valley. It is the 3rd largest district in San Diego County and the 26th largest district in the state of California. The district covers nearly 100 square miles in north-east San Diego County housing 33,282 students in 34 schools.

Management's Discussion and Analysis

This section of Poway Unified School District's annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the year ending June 30, 2008. The MD&A is required as an element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. The District implemented GASB 34 in 2001-02. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

Comparisons to the Previous Fiscal Year 2006-07

- In 2007-08, the district's Net Assets is \$202.9 million compared to \$206.2 million in 2006-07.
- In 2007-08, overall revenues were \$360.2 million and expenses were \$363.8 million. The district's revenue is less than expenses by \$3.6 million. In 2006-07 the district's overall revenues were \$ 360.6 million and expenses were \$ 384.6 million.
- In 2007-08, Expenses exceeded revenues by \$3.5 million.
- The District enrollment in October 2007 was 33,282. This is an increase of 409 students from October 2006 when the enrollment was at 32,873.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the Extended School Services enterprise fund (ESS), each of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 46 of this report.

- **Proprietary funds** The District maintains two proprietary fund types; internal service funds and one enterprise fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses three internal service funds to account for services provided to all the other funds of the District: workers' compensation, employee benefits, and property and liability insurance. The internal service funds have been included within *governmental activities* in the government-wide financial statements. The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Enterprise funds are operated in a manner similar to private business where the determination of revenues earned, costs incurred and net income is necessary for management accountability. The District uses one enterprise fund to account for business activities of the Extended Student Services and Preschool programs.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

- **Fiduciary funds** **Fiduciary** funds are used to account for resources held for the benefit of parties outside the governmental entity. The District maintains an agency fund for associated student body funds. The basic agency fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-45 of this report.

Other information

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 48-55 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's stability and financial position. The district's assets exceeded liabilities by \$202.9 million at the close of 2007-08.

POWAY UNIFIED SCHOOL DISTRICT				
2007-08 NET ASSETS				
<i>(In Millions of Dollars)</i>				
	Governmental Activities	Business Activities	Total District	Total Percentage
Current and Other Assets	\$306.1	(\$0.4)	\$305.7	29.0%
Capital Assets	\$745.4	\$3.3	\$748.7	71.0%
Total Assets	\$1,051.5	\$3.0	\$1,054.5	100.0%
Long-Term Debt Outstanding	\$792.4	\$0.0	\$792.4	93.3%
Other Liabilities	\$56.2	\$0.4	\$56.6	6.7%
Total Liabilities	\$848.6	\$0.4	\$849.0	100.0%
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$131.4	\$0.0	\$131.4	63.9%
Restricted	\$30.9	\$0.0	\$30.9	15.0%
Unrestricted	\$40.6	\$2.6	\$43.2	21.0%
Total Net Assets	\$202.9	\$2.6	\$205.5	100.0%

- 63.9 percent of the District's net assets are invested in Capital Assets. 15.0 percent represents resources that are subject to external restrictions on how they may be used and 21.0 percent are unrestricted.

At the end of the 2007-08, the District is able to report positive balances in both categories of net assets.

Governmental activities. The key elements of the District's net assets for the year ended June 30, 2008 are as follows:

POWAY UNIFIED SCHOOL DISTRICT GOVERNMENT-WIDE STATEMENT OF ACTIVITIES		
	<u>2007-08</u>	<u>% of Total</u>
<u>Revenues</u>		
Program Revenues		
Charges for services	\$ 13,507,631	3.75%
Operating grants and contributions	56,492,106	15.68%
Capital grants and contributions	20,118,703	5.59%
General Revenues		
Property taxes	147,302,765	40.90%
Federal and state aid not restricted to specific purposes	99,574,334	27.65%
Interest and investment earnings	3,218,836	0.89%
Interagency revenues	643,949	0.18%
Miscellaneous	19,329,195	5.37%
Special and extraordinary items	-	0.00%
Total Revenues	\$ 360,187,519	100.00%
<u>Expenditures by Function</u>		
Governmental Activities		
Instruction	\$ 216,333,390	59.47%
Pupil services	30,472,489	8.38%
General administration	13,388,240	3.68%
Plant services	46,334,359	12.74%
Ancillary services	3,802,073	1.05%
Community services	395,679	0.11%
Enterprise activities	925,468	0.25%
Interest on long-term debt	32,749,909	9.00%
Other outgo	6,533,192	1.80%
Business-type Activities		
Enterprise activities	12,818,968	3.52%
Total Expenditures	\$ 363,753,767	100.00%
Increase (Decrease) in Net Assets	\$ (3,566,248)	
Net Assets - Beginning	\$ 209,103,580	
Net Assets - Ending	\$ 205,537,332	

- The district's total revenue this year is less from \$360.6 million in FY 2006-07 to \$360.2 million in FY 2007-08.
- State aid COLA (cost of living adjustment) in 2007-08 is 4.53 percent which is 1.39 percent less from last year. State aid is based primarily on average daily attendance (ADA) and other appropriations. If a student is in attendance for 180 days, the state awards the District one ADA. The state guarantees that if local taxes do not provide money equal to the base revenue limit guarantee it will make up the difference with state funding.
- The value of the base revenue limit during the year ended June 30, 2008 is \$ 5,780.97.
- Expenses related to educating and caring for students (see Figure A-2) is 67.85 percent of the district's total expenditures.
- The administrative activities of the district are 3.68 percent of total expenditures.

8 YEAR REVENUE LIMIT TABLE

	Poway	% Increase	State Average	Difference
2000-01	\$4,413	3.23%	\$4,486	(\$73)
2001-02	\$4,597	4.19%	\$4,660	(\$63)
2002-03	\$4,680	1.79%	\$4,753	(\$73)
2003-04	\$4,768	1.88%	\$4,841	(\$73)
2004-05	\$4,914	3.07%	\$4,958	(\$44)
2005-06	\$5,125	4.30%	\$5,195	(\$70)
2006-07	\$5,529	7.87%	\$5,568	(\$39)
2007-08	\$5,781	4.56%	\$5,821	(\$40)

Figure A-1

2007-08 Revenue by Source
Government-wide Activities

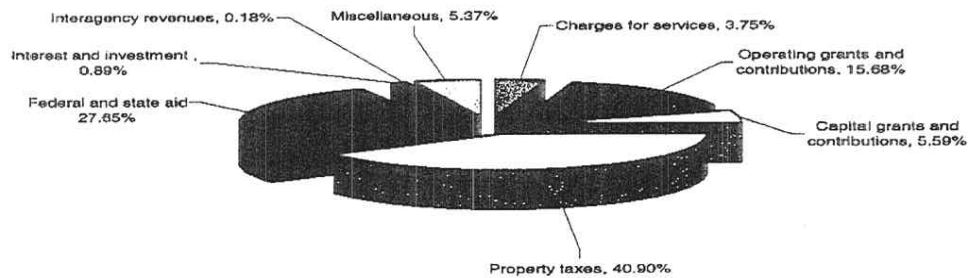
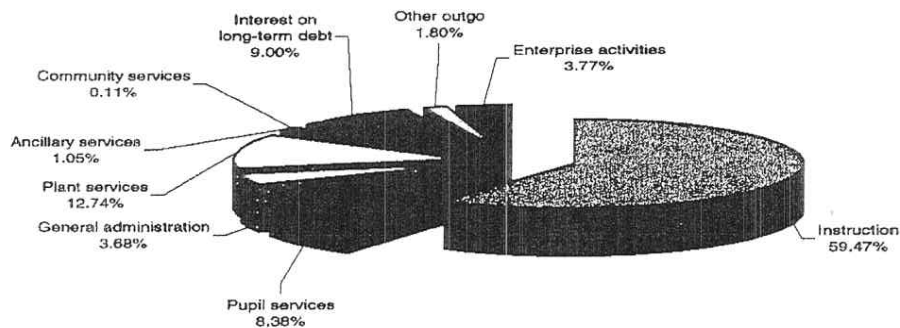


Figure A-2

2007-08 Expenditures by Function
Government-wide Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$202.9 million, \$3.3 million less than last year's fund balance. In addition, the following fund balances should be noted:

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect limitations on the use of otherwise available expendable financial resources in governmental funds. The limitations include federal, state, donor-authorized and District self-imposed. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The \$ 17 million fund balance is primarily designated for the following purposes:

Designation for economic uncertainty reserve As required by state law, the District has established an undistributed reserve within the general fund. This reserve is required to be at least 2% of general fund expenditures set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries. As of June 2008, \$ 5.45 million held in reserve meets the 2% requirement. The maintenance of a sufficient reserve is a key credit consideration in garnering excellent short-term and long-term bond ratings.

Restricted reserve for revolving cash fund The District maintains \$ 108,553 revolving cash fund for expediting emergency and small purchase reimbursement to employees.

Restricted reserve for stores inventories Three departments maintain perpetual inventories to expedite and reduce cost through volume purchasing. The valuation as of June 30, 2008 was \$613,805.

Restricted reserve for prepaid expense The District Prepaid Expense as of June 30, 2008 was \$243,285.

Designations for restricted balance State, federal and donor authorized funding restrictions mandate that carryover balances of funds are restricted for those purposes in the next fiscal year. There was \$ 10.6 million in restricted balances as of June 30, 2008.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$ 32.8 million or 12.9 % in total general fund expenditures budget.

- During the year, final budgeted revenues exceeded original budgetary estimates by \$ 13.8 million or 5.4 %, to account for increases in federal and state aid and local donations.
- The actual expenditures were \$ 15.1 million below final budgeted amounts.
- Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.
- For comparative purposes, the following table is presented to show General Fund actuals by Standardized Account Code Structure (SACS) functions and changes from fiscal year 2006-07 to 2007-08.

POWAY UNIFIED SCHOOL DISTRICT GENERAL FUND - MAJOR FUND					
<i>Expenditures by Function</i>	<i>% of Total</i>	<i>2007-08</i>	<i>Change</i>	<i>%</i>	<i>2006-07</i>
General Education Grades K-12	49.54%	\$ 135,011,251	\$ 2,615,731	2.0%	\$ 132,395,520
Special Education	13.67%	37,251,654	4,229,779	12.8%	33,021,875
Instruction Related Services	5.54%	15,091,028	929,142	6.6%	14,161,886
School Administration	5.76%	15,688,674	1,114,870	7.6%	14,573,805
Pupil Services	4.37%	11,919,438	506,934	4.4%	11,412,504
Transportation	3.72%	10,130,470	1,112,363	12.3%	9,018,107
Ancillary, Co-curricular & Athletics	1.39%	3,774,769	259,321	7.4%	3,515,448
Community Services	0.14%	386,051	10,637	2.8%	375,414
General Administration	3.43%	9,348,046	447,324	5.0%	8,900,722
Central Data Processing	1.05%	2,873,129	377,429	15.1%	2,495,699
Maintenance & Operations	9.37%	25,524,049	662,011	2.7%	24,862,039
Facility Acquisition & Construction	0.00%	1,733	(524,767)	-99.7%	526,500
Facility Rents and Leases	0.15%	420,729	(19,906)	-4.5%	440,635
Other Outgo	1.87%	5,085,937	133,372	2.7%	4,952,565
Total	100.00%	\$ 272,506,958	\$ 11,854,240		\$ 260,652,718
Final October CBEDS Enrollment		33,282	409		32,873
Expenditures per Student =		\$ 8,187.82	\$ 258.74	3.3%	\$ 7,929.08

Note: Expenses for Cafeteria, Adult Ed., Construction, Preschool and Child Care Services are recorded in separate funds. They are not included in the above figures.

- The expenditure per student went up 3.3 % from \$ 7,929.08 to \$ 8,187.82.

Capital Asset and Debt Administration

Capital Assets. The state school facility fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Renovation and modernization of older schools funded from the proceeds of the General Obligation Bond are still ongoing.

Capital assets at June 30, 2008 and June 30, 2007 are outlined below:

**POWAY UNIFIED SCHOOL DISTRICT
CAPITAL ASSETS NET OF DEPRECIATION
Governmental Activities**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Total Change</u>
Land	\$ 69,003,074	\$ 66,851,733	\$ 2,151,341
Improvement of Sites	19,974,930	16,195,219	3,779,711
Buildings	320,775,965	265,546,200	55,229,765
Equipment	9,537,956	10,498,549	(960,593)
Work in Progress	326,154,997	192,809,404	133,345,593
Total Capital Assets	<u>\$ 745,446,921</u>	<u>\$ 551,901,105</u>	<u>\$ 193,545,816</u>

Additional information on the District's capital assets can be found in Note E to the basic financial statements.

Debt Administration. The District has General Obligation Bonds. This is a voter-approved \$198 million bond specifically for the purpose of renovating 24 of the District's older schools.

In May 2004, the District's Board of Education approved a plan to accelerate the completion of Proposition U building projects from the year 2015 to a date as early as 2009. This plan provides an interim financing program that will be paid back from the final Proposition U Bond sales scheduled for 2009 and 2013. This interim financing will bridge the gap between the bond sales date and the accelerated construction program.

As of June 30, 2008, the district has two General Obligation Bonds the \$75 million General Obligation Bonds, Series A and the General Obligation Bonds, Series B for \$119 million.

The District has formed various CFDs to secure school facilities for students that will be generated from new housing developments. These bonds are not obligations of the general fund of the District and are secured by taxes generated by home owners and developers. There are twenty-one bonds under the Community Facilities Districts (CFD) as of June 30, 2008.

CFD #1 issued \$80 million in debt in February of 1998 for construction of school facilities. CFD #10 issued \$16.045 million in October of 2001 with the District as the lead agency for capital infrastructure improvement areas A and B. There were 6 bonds issued by the CFD in 2002-03. CFD # 1 issued \$ 5.82 million, CFD # 6 issued \$ \$25 million, CFD # 10E issued \$5.75 million, CFD # 10D issued \$ 5.12 million, CFD # 6 A issued \$ 18 million, and the Public Financing Authority (PFA) issued \$21.335 million. In addition, there were 3 bonds issued by the CFD in 2003-04. CFD # 10 1 A issued series C bonds for \$ 3 million, CFD # 11 Zone 1 issued bonds for \$ 9 million and CFD # 11 1A issued series A bonds for \$ 11 million.

Two additional bonds have been issued in 2004-05 fiscal year: CFD # 11 Improvement Area B for \$ 9 million and CFD # 11 Improvement Area C for \$ 13.5 million.

In 2005-06, two bonds were issued by CFD # 6 (4s Ranch), Special Tax Bonds, Series 2005 for \$44.3 million and Improvement Area B, 2005 Special Tax Bonds for \$30 million. During this year, a new CFD was formed CFD # 14 (Del Sur). CFD # 14 issued two bonds; 2006 Special Tax Bonds for 51.5 million and Improvement Area A 2006 Special Tax Bonds for 51.5 million.

In 2006-07, Public Financing Authority (PFA), Series 2007 for \$69.9 million was issued.

In 2007-08, CFD #1 has issued Series 2008 Special Tax Refunding Bonds for \$48.4 million. CFD # 1 1998 Bonds were fully refunded and 2003 Bonds were partially refunded. During this year, CFD # 6 (4s Ranch) issued Special Tax Bonds, Series 2007 for \$37.9 million.

Two Lease Revenue Bonds were issued in 2007-08 fiscal year, Series 2007 for 34.8 million and Series 2008 for 92.7 million. Part of the proceeds of Series 2008 was used to fully refund 2004 COP (Certificates of Participation).

Additional information on the District's long-term debt can be found in Note H to the basic financial statements.

Changing Enrollment within the District

The demographics of the District reflect an increasing trend in the high school population and a decreasing trend in the elementary and middle school population. Experience shows that the east side of the District is nearly built out and the west and south areas are busy with developments and new families. California voters approved Proposition 13 that not only limits the tax rate on property, but gives an incentive for owners to occupy longer resulting in slower turnover of homes to new families. This impacts the east side with declining enrollment. The District however has offsetting growth on the west side.

POWAY UNIFIED SCHOOL DISTRICT

Changes in CBEDS for Three Years

Grade	Oct 2005	Chg	Oct 2006	Chg	Oct 2007
K	2,268	9	2,277	216	2,493
1	2,351	(99)	2,252	11	2,263
2	2,343	74	2,417	(72)	2,345
3	2,322	106	2,428	78	2,506
4	2,432	(51)	2,381	136	2,517
5	2,424	36	2,460	(21)	2,439
6	2,481	34	2,515	19	2,534
7	2,557	(28)	2,529	74	2,603
8	2,676	(50)	2,626	(31)	2,595
9	2,613	104	2,717	(7)	2,710
10	2,795	(168)	2,627	132	2,759
11	2,755	44	2,799	(152)	2,647
12	2,628	217	2,845	26	2,871
TOTAL	32,645	228	32,873	409	33,282
	2005-06	Chg	2006-07	Chg	2007-08
Elementary K-5	14,140	75	14,215	348	14,563
Middle 6-8	7,714	(44)	7,670	62	7,732
High School 9-12	10,791	197	10,988	(1)	10,987
TOTAL	32,645	228	32,873	409	33,282

Requests for Information

This financial report is designed to provide a general overview of the Poway Unified School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Deputy Superintendent, Business Support Services, Poway Unified School District, 13626 Twin Peaks Road, Poway, CA 92064.

Basic Financial Statements

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash in County Treasury	\$ 37,092,836	\$ 305,716	\$ 37,398,552
Cash on Hand and in Banks	838,925	56,576	895,501
Cash in Revolving Fund	108,553	-	108,553
Cash with a Fiscal Agent/Trustee	202,631,562	-	202,631,562
Accounts Receivable	42,978,446	234,226	43,212,672
Internal Balances	960,411	(960,411)	-
Stores Inventories	613,804	-	613,804
Prepaid expenses	19,235,158	-	19,235,158
Capital Assets:			
Land	69,003,074	-	69,003,074
Improvements	33,752,698	-	33,752,698
Buildings	386,681,317	4,767,384	391,448,701
Equipment	30,022,735	8,170	30,030,905
Work in Progress	326,154,997	-	326,154,997
Less accumulated depreciation	(100,167,901)	(1,433,133)	(101,601,034)
Total Assets	<u>1,049,906,615</u>	<u>2,978,528</u>	<u>1,052,885,143</u>
LIABILITIES:			
Accounts Payable	54,460,191	299,338	54,759,529
Deferred Revenues	55,169	85,636	140,805
Long term liabilities:			
Due Within One Year	13,672,783	-	13,672,783
Due in More Than One Year	778,774,694	-	778,774,694
Total Liabilities	<u>846,962,837</u>	<u>384,974</u>	<u>847,347,811</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	131,439,909	3,345,339	134,785,248
Restricted for:			
Capital Projects	8,000,000	-	8,000,000
Debt Service	12,000,000	-	12,000,000
Educational Programs	10,861,996	-	10,861,996
Unrestricted	40,641,873	(751,785)	39,890,088
Total Net Assets	<u>\$ 202,943,778</u>	<u>\$ 2,593,554</u>	<u>\$ 205,537,332</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	\$ 183,153,158	\$ 251,228	\$ 31,215,679	\$ 20,118,703
Instruction-Related Services	33,180,232	719,200	7,221,764	-
Pupil Services	30,472,489	7,346,212	6,716,513	-
Ancillary Services	3,802,073	2,094,601	183,082	-
Community Services	395,679	-	96,471	-
General Administration	13,388,240	245,810	615,032	-
Plant Services	46,334,359	1,167,170	4,745,373	-
Enterprise Activities	925,468	-	-	-
Interest on Long-Term Debt	32,749,909	-	-	-
Other Outgo	6,533,192	1,683,410	5,698,192	-
Total Governmental Activities	350,934,799	13,507,631	56,492,106	20,118,703
Business-type Activities:				
Enterprising Activities	12,818,968	-	-	-
Total Primary Government	\$ 363,753,767	\$ 13,507,631	\$ 56,492,106	\$ 20,118,703

General Revenues:
Taxes and Subventions
Federal and State Aid Not Restricted to Specific Purposes
Interest and Investment Earnings
Interagency Revenues
Miscellaneous
Total General Revenues
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (131,567,548)		\$ (131,567,548)
(25,239,268)		(25,239,268)
(16,409,764)		(16,409,764)
(1,524,390)		(1,524,390)
(299,208)		(299,208)
(12,527,398)		(12,527,398)
(40,421,816)		(40,421,816)
(925,468)		(925,468)
(32,749,909)		(32,749,909)
848,410		848,410
<u>(260,816,359)</u>		<u>(260,816,359)</u>
	\$ (12,818,968)	
<u>(260,816,359)</u>	<u>(12,818,968)</u>	<u>(273,635,327)</u>
147,302,765	-	147,302,765
99,574,334	-	99,574,334
3,186,235	32,601	3,218,836
643,949	-	643,949
6,818,726	12,510,469	19,329,195
<u>257,526,009</u>	<u>12,543,070</u>	<u>270,069,079</u>
(3,290,350)	(275,898)	(3,566,248)
206,234,128	2,869,452	209,103,580
<u>\$ 202,943,778</u>	<u>\$ 2,593,554</u>	<u>\$ 205,537,332</u>

POWAY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	Building Fund	County School Facilities Fund
ASSETS:			
Cash in County Treasury	\$ 10,113,387	\$ 443,488	\$ 433,198
Cash on Hand and in Banks	384,707	-	-
Cash in Revolving Fund	107,303	-	-
Cash with a Fiscal Agent/Trustee	-	72,565,314	-
Accounts Receivable	16,698,924	119,002	14,053,447
Due from Other Funds	3,413,551	78,615	-
Stores Inventories	264,769	-	-
Prepaid Expenditures	243,285	-	-
Total Assets	<u>\$ 31,225,926</u>	<u>\$ 73,206,419</u>	<u>\$ 14,486,645</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 4,516,652	\$ 24,040,692	\$ 11,294,082
Due to Other Funds	6,026,326	941,970	3
Deferred Revenue	428,257	-	-
Total Liabilities	<u>10,971,235</u>	<u>24,982,662</u>	<u>11,294,085</u>
Fund Balance:			
Reserved Fund Balances:			
Reserve for Revolving Cash	107,304	-	-
Reserve for Stores Inventories	264,769	-	-
Reserve for Prepaid Items	243,285	-	-
Designated Fund Balances:			
Designated for Economic Uncertainties	5,448,739	-	-
Other Designated	130,000	-	-
Unreserved	14,060,594	48,223,757	3,192,560
Unreserved, reported in nonmajor:			
Special Revenue Funds	-	-	-
Debt Service Funds	-	-	-
Capital Projects Funds	-	-	-
Total Fund Balance	<u>20,254,691</u>	<u>48,223,757</u>	<u>3,192,560</u>
Total Liabilities and Fund Balances	<u>\$ 31,225,926</u>	<u>\$ 73,206,419</u>	<u>\$ 14,486,645</u>

The accompanying notes are an integral part of this statement.

Capital Project Fund For Blended Component Units	Debt Service Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 18,933,249	\$ 29,923,322
-	-	185,085	569,792
-	-	1,250	108,553
129,735,891	-	-	202,301,205
11,168,367	-	839,618	42,879,358
-	-	6,493,333	9,985,499
-	-	349,035	613,804
-	-	-	243,285
<u>\$ 140,904,258</u>	<u>\$ -</u>	<u>\$ 26,801,570</u>	<u>\$ 286,624,818</u>
\$ 1,420,000	\$ -	\$ 462,874	\$ 41,734,300
-	-	3,735,732	10,704,031
-	-	-	428,257
<u>1,420,000</u>	<u>-</u>	<u>4,198,606</u>	<u>52,866,588</u>
-	-	1,250	108,554
-	-	349,035	613,804
-	-	-	243,285
-	-	-	5,448,739
-	-	-	130,000
139,484,258	-	-	204,961,169
-	-	7,070,069	7,070,069
-	-	6,118,572	6,118,572
-	-	9,064,038	9,064,038
<u>139,484,258</u>	<u>-</u>	<u>22,602,964</u>	<u>233,758,230</u>
<u>\$ 140,904,258</u>	<u>\$ -</u>	<u>\$ 26,801,570</u>	<u>\$ 286,624,818</u>

POWAY UNIFIED SCHOOL DISTRICT
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total fund balances - governmental funds balance sheet

\$ 233,758,230

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	845,585,125	
Accumulated depreciation	(100,147,114)	
Net		745,438,011

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:

18,408,125

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:

(11,079,386)

Deferred recognition of earned but unavailable revenues: In governmental funds, revenue is recognized only to the extent that it is "available", meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred as a liability in governmental funds, but are recognized in the government-wide statements, is:

373,090

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	176,685,766	
Net OPEB obligation	3,471,170	
Compensated absences payable	3,969,219	
Capital leases payable	3,628,665	
Lease revenue bonds payable	34,783,991	
Other general long-term debt	569,908,666	
Total		(792,447,477)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:

8,493,185

Net assets of governmental activities - statement of net assets

\$ 202,943,778

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Building Fund	County School Facilities Fund
Revenues:			
Revenue Limit Sources:			
State Apportionments	\$ 81,177,029	\$ -	\$ -
Local Sources	106,205,476	-	-
Federal Revenue	8,629,281	-	-
Other State Revenue	51,598,542	-	20,056,105
Other Local Revenue	16,131,064	804,526	62,597
Total Revenues	<u>263,741,392</u>	<u>804,526</u>	<u>20,118,702</u>
Expenditures:			
Instruction	172,262,905	-	-
Instruction - Related Services	30,779,701	-	-
Pupil Services	22,049,908	-	-
Ancillary Services	3,774,770	-	-
Community Services	386,051	-	-
General Administration	12,221,174	-	-
Plant Services	25,946,511	80,935,652	17,018,375
Other Outgo	1,192,765	3,197,754	-
Debt Service:			
Principal	459,387	19,309,534	-
Interest	4,859	547,934	-
Total Expenditures	<u>269,078,031</u>	<u>103,990,874</u>	<u>17,018,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,336,639)</u>	<u>(103,186,348)</u>	<u>3,100,327</u>
Other Financing Sources (Uses):			
Transfers In	3,310,354	34,988,130	1,645,000
Transfers Out	(3,428,926)	(3,833,314)	(4,108,654)
Proceeds From Sale of Bonds	-	92,681,499	-
Other Sources	-	283,900	-
Total Other Financing Sources (Uses)	<u>(118,572)</u>	<u>124,120,215</u>	<u>(2,463,654)</u>
Net Change in Fund Balance	<u>(5,455,211)</u>	<u>20,933,867</u>	<u>636,673</u>
Fund Balance, July 1	25,709,902	27,289,890	2,555,887
Fund Balance, June 30	<u>\$ 20,254,691</u>	<u>\$ 48,223,757</u>	<u>\$ 3,192,560</u>

The accompanying notes are an integral part of this statement.

Capital Project Fund For Blended Component Units	Debt Service Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 81,177,029
-	-	-	106,205,476
-	-	1,820,546	10,449,827
-	-	2,896,237	74,550,884
41,285,656	-	16,852,303	75,136,146
<u>41,285,656</u>	<u>-</u>	<u>21,569,086</u>	<u>347,519,362</u>
-	-	1,356,949	173,619,854
-	-	531,419	31,311,120
-	-	7,335,591	29,385,499
-	-	-	3,774,770
-	-	-	386,051
-	-	285,637	12,506,811
119,521,270	-	6,241,627	249,663,435
4,495,742	-	-	8,886,261
-	56,215,835	2,724,228	78,708,984
-	23,494,136	8,687,022	32,733,951
<u>124,017,012</u>	<u>79,709,971</u>	<u>27,162,473</u>	<u>620,976,736</u>
(82,731,356)	(79,709,971)	(5,593,387)	(273,457,374)
-	79,709,971	6,312,178	125,965,633
(109,355,265)	-	(6,074,599)	(126,800,758)
121,113,991	-	-	213,795,490
2,042,724	-	-	2,326,624
<u>13,801,450</u>	<u>79,709,971</u>	<u>237,579</u>	<u>215,286,989</u>
(68,929,906)	-	(5,355,808)	(58,170,385)
208,414,164	-	27,958,772	291,928,615
<u>\$ 139,484,258</u>	<u>\$ -</u>	<u>\$ 22,602,964</u>	<u>\$ 233,758,230</u>

POWAY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ (58,170,385)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	204,451,473	
Depreciation expense	(10,982,702)	
Net		193,468,771

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

78,708,983

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(218,269,321)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is:

Issue costs incurred during the period	7,693,496	
Issue costs amortized for the period	(3,193,220)	
Net		4,500,276

Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was:

223,449

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(14,051)

Earned but unavailable revenues: In governmental funds, revenues are recognized only to the extent that they are "available", meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:

(98,364)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(60,414)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(65,812)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(3,471,170)

Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were:

(126,414)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:

44,457

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental for the statement of activities. The net increase or decrease in internal service funds was:

39,645

Change in net assets of governmental activities - statement of activities

\$ (3,290,350)

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
ASSETS:		
Current Assets:		
Cash in County Treasury	\$ 305,716	\$ 7,169,514
Cash on Hand and in Banks	56,576	269,133
Cash with a Fiscal Agent/Trustee	-	330,357
Accounts Receivable	234,226	99,088
Due from Other Funds	65,450	1,783,264
Prepaid Expenditures	-	583,748
Total Current Assets	<u>661,968</u>	<u>10,235,104</u>
Noncurrent Assets:		
Fixed Assets-		
Buildings and Improvements	4,767,384	-
Accumulated Depreciation - Buildings	(1,430,215)	-
Equipment	8,170	29,696
Accumulated Depreciation - Equipment	(2,918)	(20,787)
Total Noncurrent Assets	<u>3,342,421</u>	<u>8,909</u>
Total Assets	<u>\$ 4,004,389</u>	<u>\$ 10,244,013</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 299,338	\$ 1,646,505
Due to Other Funds	1,025,861	104,323
Deferred Revenue	85,636	-
Total Current Liabilities	<u>1,410,835</u>	<u>1,750,828</u>
Total Liabilities	<u>1,410,835</u>	<u>1,750,828</u>
NET ASSETS:		
Restricted Net Assets	-	583,748
Unrestricted Net Assets	<u>2,593,554</u>	<u>7,909,437</u>
Total Net Assets	<u>\$ 2,593,554</u>	<u>\$ 8,493,185</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Operating Revenues:		
Local Revenue	\$ 12,543,070	\$ 8,601,314
Total Revenues	<u>12,543,070</u>	<u>8,601,314</u>
Operating Expenses:		
Certificated Personnel Salaries	1,117,876	-
Classified Personnel Salaries	7,144,699	212,219
Employee Benefits	2,255,601	76,783
Books and Supplies	752,584	10,045
Services and Other Operating Expenses	1,441,099	9,091,808
Capital Outlay	107,109	5,939
Total Expenses	<u>12,818,968</u>	<u>9,396,794</u>
Income (Loss) before Contributions and Transfers	(275,898)	(795,480)
Interfund Transfers In	-	1,679,564
Interfund Transfers Out	-	(844,439)
Change in Net Assets	<u>(275,898)</u>	<u>39,645</u>
Total Net Assets - Beginning	2,869,452	8,453,540
Total Net Assets - Ending	<u>\$ 2,593,554</u>	<u>\$ 8,493,185</u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 12,391,401	\$ 10,133,687
Cash Payments to Employees for Services	(8,262,577)	(212,219)
Cash Payments to Other Suppliers for Goods and Services	(4,220,664)	(9,973,533)
Net Cash Provided (Used) by Operating Activities	(91,840)	(52,065)
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	32,601	282,073
Net Cash Provided (Used) for Investing Activities	32,601	282,073
Net Increase (Decrease) in Cash and Cash Equivalents	(59,239)	230,008
Cash and Cash Equivalents at Beginning of Year	421,531	7,538,996
Cash and Cash Equivalents at End of Year	\$ 362,292	\$ 7,769,004
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (275,898)	\$ 39,645
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	107,109	5,939
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(140,768)	25,510
Decrease (Increase) in Due from other funds	(5,910)	109,372
Decrease (Increase) in Prepaid Expenses	-	(13,148)
Increase (Decrease) in Accounts Payable	47,575	142,389
Increase (Decrease) in Due to other funds	181,043	(79,699)
Increase (Decrease) in Deferred Revenue	27,610	-
Total Adjustments	216,659	190,363
Net Cash Provided (Used) by Operating Activities	\$ (59,239)	\$ 230,008

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2008

	Private-Purpose Trust Fund	Agency Fund
	Foundation Private-Purpose Trust Fund	Student Body Fund
ASSETS:		
Cash in County Treasury	\$ 717,804	\$ -
Cash on Hand and in Banks	-	2,947,194
Accounts Receivable	6,335	-
Total Assets	\$ 724,139	\$ 2,947,194
LIABILITIES:		
Accounts Payable	\$ 19,618	\$ -
Due to Student Groups	-	2,947,194
Total Liabilities	19,618	2,947,194
NET ASSETS:		
Held in Trust	704,521	-
Total Net Assets	\$ 704,521	\$ -

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust Fund
	<u>Foundation Private-Purpose Trust Fund</u>
Additions:	
Investment Income	\$ 36,507
Total Additions	<u>36,507</u>
Deductions:	
Administrative Expenses	<u>73,114</u>
Total Deductions	<u>73,114</u>
Change in Net Assets	(36,607)
Net Assets-Beginning of the Year	741,128
Net Assets-End of the Year	<u><u>\$ 704,521</u></u>

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

A. Summary of Significant Accounting Policies

Poway Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has two component units, the Community Facilities Districts (CFD) and the Public Financing Authority. In addition, the District is not a component unit of any other reporting entity as defined by the GASB statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund. This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

County School Facilities Fund. This fund is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

Capital Project Fund for Blended Component Units. This fund is used to account for the transactions that are associated with the capital projects of the District's Community Facilities Districts (CFD) and the Public Financing Authority.

Debt Service Fund for Blended Component Units. This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	45
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Other Equipment	5-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

i. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2008 expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Community services	\$ 88,057
Other outgo	54,718
Debt service principal	522
Debt service interest	4,859

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$38,116,356 as of June 30, 2008). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$38,116,356. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$3,842,695 as of June 30, 2008) and in the revolving fund (\$108,553) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

3. Investments:

The District's investments at June 30, 2008 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Dreyfus treasury notes	\$ 127,592,212
US Treasury Certificate	8,218,906
Cash and cash equivalents	474,592
FHLB Disc Note	37,262,213
FHLMC Disc Note	28,753,282
Guaranteed investment contract	330,357
Total Investments	<u>\$ 202,631,562</u>

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 66,851,733	\$ 2,151,341	\$ -	\$ 69,003,074
Work in progress	192,809,403	201,511,717	68,166,123	326,154,997
Total capital assets not being depreciated	259,661,136	203,663,058	68,166,123	395,158,071
Capital assets being depreciated:				
Buildings	323,532,807	63,148,510	-	386,681,317
Land improvements	28,682,386	5,070,312	-	33,752,698
Equipment	29,375,680	832,752	185,697	30,022,735
Total capital assets being depreciated	381,590,873	69,051,574	185,697	450,456,750
Less accumulated depreciation for:				
Buildings	(57,986,606)	(7,918,747)	-	(65,905,353)
Land improvements	(12,487,167)	(1,290,602)	-	(13,777,769)
Equipment	(18,877,132)	(1,779,292)	(171,645)	(20,484,779)
Total accumulated depreciation	(89,350,905)	(10,988,641)	(171,645)	(100,167,901)
Total capital assets being depreciated, net	292,239,968	58,062,933	14,052	350,288,849
Governmental activities capital assets, net	\$ 551,901,104	\$ 261,725,991	\$ 68,180,175	\$ 745,446,920
<u>Business-type activities:</u>				
Capital assets being depreciated:				
Buildings	4,767,384	-	-	4,767,384
Equipment	8,170	-	-	8,170
Total capital assets being depreciated	4,775,554	-	-	4,775,554
Less accumulated depreciation for:				
Buildings	(1,324,274)	(105,941)	-	(1,430,215)
Equipment	(1,751)	(1,167)	-	(2,918)
Total accumulated depreciation	(1,326,025)	(107,108)	-	(1,433,133)
Total capital assets being depreciated, net	3,449,529	(107,108)	-	3,342,421
Business-type activities capital assets, net	\$ 3,449,529	\$ (107,108)	\$ -	\$ 3,342,421

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Depreciation was charged to functions as follows:

Instruction	\$ 7,437,558
Instruction-Related Services	1,531,464
Pupil Services	819,645
Ancillary Services	4,846
Community Services	2,450
Enterprise	12,084
General Administration	750,699
Plant Services	429,895
Business Type Activities	107,108
	<u>\$ 11,095,749</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2008 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	General Fund	\$ 266,332
General Fund	Adult Education Fund	335,351
General Fund	Child Development Fund	5,807
General Fund	Cafeteria Fund	420,613
General Fund	Building Fund	806,110
General Fund	Capital Facilities Fund	24,525
General Fund	County School Facilities Fund	3
General Fund	Special Reserve Fund	424,627
General Fund	Other Enterprise Fund	1,025,861
General Fund	Self-Insurance Fund	104,323
Adult Education Fund	General Fund	7,672
Cafeteria Fund	General Fund	549
Cafeteria Fund	Child Development Fund	259
Deferred Maintenance Fund	General Fund	1,500,000
Special Reserve Other	General Fund	791,000
Building Fund	General Fund	78,615
Special Reserve Fund	General Fund	1,557,994
Special Reserve Fund	Building Fund	135,860
Special Reserve Fund	Capital Facilities Fund	2,500,000
Other Enterprise Fund	General Fund	40,900
Other Enterprise Fund	Adult Education Fund	24,550
Self Insurance Fund	General Fund	1,783,264
	Total	<u><u>\$ 11,834,215</u></u>

All amounts due are scheduled to be repaid within one year.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2008 consisted of the following:

Transfers From	Transfers To	Amount
Building Fund	General Fund	\$ 1,597,454
Building Fund	Special Reserve Fund	2,235,860
Capital Facilities Fund	Building Fund	3,000,000
Capital Facilities Fund	Special Reserve Fund	2,500,000
Capital Projects Fund	Building Fund	28,000,294
Capital Projects Fund	County School Facilities Fund	1,645,000
Capital Projects Fund	Debt Service Fund	79,709,971
Capital Projects Fund	Special Reserve Fund	1,639,897
County School Facilities Fund	Building Fund	3,987,836
County School Facilities Fund	General Fund	120,819
Deferred Maintenance Fund	General Fund	150,000
General Fund	Adult Education Fund	26,318
General Fund	Deferred Maintenance Fund	1,250,000
General Fund	General Fund	173,044
General Fund	Self-Insurance Fund	1,679,564
General Fund	Special Reserve Fund	300,000
Self-Insurance Fund	General Fund	844,439
Special Reserve Fund	General Fund	424,599
	Total	\$ 129,285,095

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -

H. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2008 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 178,680,766	\$ -	\$ 1,995,000	\$ 176,685,766	\$ 1,065,000
Capital leases	2,679,605	2,147,207	1,198,147	3,628,665	1,034,018
Certificates of participation	19,300,000	-	19,300,000	-	-
Lease revenue bonds	-	34,783,991	-	34,783,991	-
Special tax bonds	444,830,835	179,011,499	56,215,835	567,626,499	7,439,643
Bond premium	-	2,326,624	44,457	2,282,167	164,902
OPEB	-	3,471,170	-	3,471,170	-
Compensated absences *	3,903,406	65,813	-	3,969,219	3,969,220
Total governmental activities	\$ 649,394,612	\$ 221,806,304	\$ 78,753,439	\$ 792,447,477	\$ 13,672,783

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of OPEB, at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 13,672,781	\$ 32,861,974	\$ 46,534,755
2010	9,559,310	32,815,340	42,374,650
2011	10,956,337	33,090,809	44,047,146
2012	11,918,571	33,023,959	44,942,530
2013	12,812,221	33,950,894	46,763,115
2014-2018	83,577,443	175,954,037	259,531,480
2019-2023	108,687,212	167,627,476	276,314,688
2024-2028	162,244,115	134,189,783	296,433,898
2029-2033	200,031,563	95,060,599	295,092,162
2034-2038	132,050,763	36,328,201	168,378,964
2039-2043	43,465,991	8,639,851	52,105,842
Totals	<u>\$ 788,976,307</u>	<u>\$ 783,542,923</u>	<u>\$ 1,572,519,230</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2008, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
2004 Certificates of Participation	19,300,000
2003 Special Tax Bonds	2,970,835
Total	<u>22,270,835</u>

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2008 as follows:

<u>Year Ending June 30:</u>	
2009	\$ 1,192,670
2010	1,187,956
2011	1,040,695
2012	551,084
Total Minimum Lease Payments	<u>3,972,405</u>
Less Amount Representing Interest	(343,739)
Present Value of Net Minimum Lease Payments	<u>\$ 3,628,666</u>

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

5. Lease Revenue Bonds, Series 2008

In June 2008 the District issued a series of lease revenue bonds totaling \$92,681,499. The bonds are secured by lease payments from the district to the Poway Unified School District Public Financing Authority, for Westview High School. Legal provisions in the debt include a fully-funded reserve and rental interruption insurance covering two years of lease payments to offset abatement risk.

I. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) and the Southern California Relief Property and Liability Insurance (SCR). The relationship between the District and the JPA's is such that the JPA's are not a component unit of the District.

The JPA's arrange for and provide for various types of insurances for its member districts as requested. The JPA's are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA's, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Combined condensed unaudited financial information of the District's share of the San Diego County Schools Risk Management JPA for the year ended June 30, 2008 is as follows:

Total Assets	\$	413,567
Total Liabilities		272,474
Total Fund Balance		141,093
Total Cash Receipts		1,532,332
Total Cash Disbursements		1,395,665
Net Change in Fund Balance		136,667

Combined condensed unaudited financial information of the District's share of the Southern California Relief Property and Liability Insurance JPA for the year ended June 30, 2008 was not available as of the date of this report.

J. Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.32% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2008, 2007 and 2006 were \$6,158,527, \$5,598,960 and \$4,867,201, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2008, 2007 and 2006 were \$11,588,843, \$11,013,784 and \$10,013,458, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$8,856,563.

K. Postemployment Benefits Other Than Pension Benefits

Plan Description:

The Poway Unified School District (District) provides health benefit plans to eligible retirees to age 65. The postretirement health plans and the District's obligation vary by employee group as described below.

Poway Federated Teachers (PFT), APSM and Confidential Employees

The District provides health coverage for the retiree and any eligible dependent until the retiree reaches age 65. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. The District's contractual obligation is to pay for the health coverage of the retiree only for the least expensive medical, dental and vision plan regardless of which plan the retiree elects for coverage. The retiree is responsible for any health coverage elected for his/her eligible dependents.

To be eligible to receive retiree health coverage, the employee must be eligible for and retire under STRS/PERS and have at least 10 years of District eligible service at retirement. Upon reaching age 65, retirees can elect Medicare supplemental medical coverage but must pay the full cost for this coverage. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

California School Employees Association (CSEA)

Eligible employees can purchase retiree health coverage for themselves and their eligible dependents. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. To be eligible to purchase health coverage, the employee must be eligible for and retire under STRS/PERS/PARS and have at least 10 consecutive years of District eligible service at retirement.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Employees with at least 5 consecutive years of benefited eligible service may be eligible for a District contribution towards their retiree health coverage to age 65. The District's contribution will be based on a percentage of the cost for the least expensive medical plan for employee only coverage and will vary by years of District eligible service at retirement as follows:

Years of Service at Retirement	District Contribution Percentage
At least 15 years of service but less than 17	80%
At least 17 years of service but less than 20	90%
20 or more years of service	100%

Part-time employees will receive 100% of the District contribution if working between 7.76 and 8 hours, 92% of the District contribution if working between 6 and 7.75 hours and 73% of the District contribution if working between 4 and 5.99 hours.

Eligible retirees may purchase dental and vision coverage for themselves and medical, dental and vision coverage for their dependents on a self-pay basis. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

Service Employees International Union (SEIU) Employees

Eligible employees can purchase retiree health coverage for themselves and their eligible dependents. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. To be eligible to purchase health coverage, the employee must be eligible for and retire under STRS/PERS/PARS and have at least 10 consecutive years of District eligible service at retirement.

To be eligible to receive a District contribution for retiree health coverage, the employee must be eligible for and retire under STRS/PERS on or after July 1, 2007 and have at least 10 consecutive years of benefited service at retirement. The District's contribution will be based on a percentage of the cost for the least expensive medical plan for employee only coverage and will vary by years of District eligible service at retirement as follows:

Years of Service at Retirement	District Contribution Percentage
At least 10 years of service but less than 15	50%/\$200
At least 15 years of service but less than 20	75%/\$300
20 or more years of service	100%/\$400

Part-time employees will receive 100% of the District contribution if working between 7.76 and 8 hours, 92% of the District contribution if working between 6 and 7.75 hours and 73% of the District contribution if working between 4 and 5.99 hours.

Board Members

Eligible retired board members can elect health coverage for themselves and their eligible dependents on a self-pay basis. Eligible coverage includes medical/Rx, dental and vision benefits.

Premium Rates

The premiums that are charged to the retiree for retiree and dependent medical coverage under age 65 are the same as the premiums charged for active medical coverage. Thus, the District is also providing a "rate subsidy" to the retirees by charging them a blended rate rather than a retiree only rate. GASB 45 requires that when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently. This requires valuing any "rate subsidy" as an additional obligation to the District.

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

The following table summarizes the current ten monthly premiums and funding rates paid by the District on behalf of retirees. All premiums are experienced rated and effective for calendar year 2008.

	Health Net			
	Silver Network	Full Network	PPO	Seniority Plus
Employee (EE) Only	\$486.08	\$617.34	\$652.93	N/A
Two Party	\$1,037.47	\$1,319.66	\$1,396.21	N/A
EE Plus Family	\$1,435.16	\$1,822.36	\$1,927.38	N/A
Single - Medicare Eligible	\$264.80	\$263.83	\$373.80	\$298.00
Two Party - Medicare Eligible	\$534.61	\$532.66	\$752.60	\$594.86
Two Party - One Medicare	\$755.89	\$886.17	\$1,031.73	\$840.19

	Kaiser	Other Benefits	
	Sr. Advantage	Dental Plan	Vision Plan
Employee (EE) Only	\$479.33	\$55.00	\$7.87
Two Party	\$932.63	\$115.00	\$13.60
EE Plus Family	\$1,277.98	\$170.00	\$16.04
Single - Medicare Eligible	\$282.61	\$55.00	\$7.87
Two Party - Medicare Eligible	\$562.22	\$115.00	\$13.60
Two Party - One Medicare	N/A	\$115.00	\$13.60

Funding Policy

Beginning in the 2007-08 fiscal year, the District began to accrue the retiree health benefits in accordance with GASB Statement No. 45. The expense is generally accrued over the working career of employees. Under accrual accounting in accordance with GASB Statement No. 45 the District's expense for the fiscal year ended June 30, 2008 is \$4,605,641.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefits (OPEB) cost (expense) is based on the annual required contribution of the employer (ARC). The District's expense is comprised of the present value of benefits accruing in the current year (normal cost) plus a 30 year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2008, the amount actually contributed to the plan, and charges in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 4,605,641
Contributions made	<u>1,134,471</u>
Increase in net OPEB obligation	3,471,170
Net OPEB obligations - beginning of year	<u>-</u>
Net OPEB obligations - end of year	<u>\$ 3,471,170</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2008 is as follows:

Fiscal Year Ended June 30	Annual OPEB Costs	Percentage of Annual OPEB cost Contributed	Net OPEB Obligation
2008	\$ 4,605,641	24.63%	\$ 3,471,170

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Funded Status and Funding Progress

As of June 30, 2008, the accrued liability for benefits was \$4,605,641, of which \$3,471,170 is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$198,028,878, and the ratio of unfunded actuarial accrued liability to the covered payroll was 19.3%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Assumptions

The following assumptions were made:

Retirement eligibility age: The earliest retirement age assumed for employees is age 55.

Participation rate: 100% of future active employees are assumed to elect retiree health coverage at retirement. Of those electing coverage approximately 30% are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as the retiree.

Claim cost development: The valuation was based on the medical premiums furnished by the District. The average annual medical cost for a single participant under age 65 was determined to be \$5,119. This cost includes medical and prescription drug. A claim cost curve was developed using an assumption for aging. This results in an expected claim cost at every age. Sample annual medical costs are provided in the following table.

Age	Annual Cost
50	\$5,141
55	\$5,959
60	\$6,909
64	\$7,776

The average annual dental and vision cost for a single participant was determined to be \$550 for dental and \$80 for vision.

Medical trend rates: The expected rate of increase in healthcare insurance premiums is shown in the following table

Year	Trend
2009	9.0%
2010	8.0%
2011	7.0%
2012	6.0%
2013+	5.0%

Dental and Vision trend rates: The expected rate of increase in dental and vision insurance premiums is shown below

Year	Trend
2009+	5.0%

POWAY UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

Actuarial Cost Method: The actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the year. All employees eligible as of the measurement date in accordance with the provisions of the plan listed in the data provided by the District were included in the valuation.

Actuarial value of assets: Any assets of the plan will be valued on a market value basis.

L. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

M. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of \$1,288,232 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2008 are indicated below:

Internal Service Fund:	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2007-08	\$ 1,379,154	\$ 383,938	\$ 474,860	\$ 1,288,232

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

POWAY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 77,140,261	\$ 81,177,029	\$ 81,177,029	\$ -
Local Sources	108,367,001	106,205,479	106,205,476	(3)
Federal Revenue	8,143,543	9,176,941	8,629,281	(547,660)
Other State Revenue	49,173,977	51,639,819	51,598,542	(41,277)
Other Local Revenue	9,541,287	16,705,499	16,131,064	(574,435)
Total Revenues	<u>252,366,069</u>	<u>264,904,767</u>	<u>263,741,392</u>	<u>(1,163,375)</u>
Expenditures:				
Instruction	161,318,797	182,690,406	172,262,905	10,427,501
Instruction - Related Services	27,648,510	33,010,673	30,779,701	2,230,972
Pupil Services	20,467,304	22,317,555	22,049,908	267,647
Ancillary Services	3,189,865	4,430,836	3,774,770	656,066
Community Services	316,135	297,994	386,051	(88,057)
Enterprise	-	1,113	-	1,113
General Administration	11,753,942	12,344,091	12,221,174	122,917
Plant Services	26,460,643	26,835,773	25,946,511	889,262
Other Outgo	1,046,525	1,138,047	1,192,765	(54,718)
Debt Service:				
Principal	78,350	458,865	459,387	(522)
Interest	-	-	4,859	(4,859)
Total Expenditures	<u>252,280,071</u>	<u>283,525,353</u>	<u>269,078,031</u>	<u>14,447,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>85,998</u>	<u>(18,620,586)</u>	<u>(5,336,639)</u>	<u>13,283,947</u>
Other Financing Sources (Uses):				
Transfers In	2,055,387	3,310,358	3,310,354	(4)
Transfers Out	(2,539,122)	(4,122,193)	(3,428,926)	693,267
Total Other Financing Sources (Uses)	<u>(483,735)</u>	<u>(811,835)</u>	<u>(118,572)</u>	<u>693,263</u>
Net Change in Fund Balance	<u>(397,737)</u>	<u>(19,432,421)</u>	<u>(5,455,211)</u>	<u>13,977,210</u>
Fund Balance, July 1	<u>25,709,902</u>	<u>25,709,902</u>	<u>25,709,902</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 25,312,165</u>	<u>\$ 6,277,481</u>	<u>\$ 20,254,691</u>	<u>\$ 13,977,210</u>

POWAY UNIFIED SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 POWAY UNIFIED SCHOOL DISTRICT HEALTH PROGRAM
 YEAR ENDED JUNE 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2008	\$ -	\$ 38,297,941	\$ 38,297,941	-	\$ 198,028,878	19.3%

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 4,989,595	\$ 6,118,572	\$ 7,825,082	\$ 18,933,249
Cash on Hand and in Banks	185,085	-	-	185,085
Cash in Revolving Fund	1,250	-	-	1,250
Accounts Receivable	799,624	-	39,994	839,618
Due from Other Funds	2,299,479	-	4,193,854	6,493,333
Stores Inventories	349,035	-	-	349,035
Total Assets	<u>\$ 8,624,068</u>	<u>\$ 6,118,572</u>	<u>\$ 12,058,930</u>	<u>\$ 26,801,570</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 417,134	\$ -	\$ 45,740	\$ 462,874
Due to Other Funds	786,580	-	2,949,152	3,735,732
Total Liabilities	<u>1,203,714</u>	<u>-</u>	<u>2,994,892</u>	<u>4,198,606</u>
Fund Balance:				
Reserved Fund Balances:				
Reserve for Revolving Cash	1,250	-	-	1,250
Reserve for Stores Inventories	349,035	-	-	349,035
Unreserved, reported in nonmajor:				
Special Revenue Funds	7,070,069	-	-	7,070,069
Debt Service Funds	-	6,118,572	-	6,118,572
Capital Projects Funds	-	-	9,064,038	9,064,038
Total Fund Balance	<u>7,420,354</u>	<u>6,118,572</u>	<u>9,064,038</u>	<u>22,602,964</u>
Total Liabilities and Fund Balances	<u>\$ 8,624,068</u>	<u>\$ 6,118,572</u>	<u>\$ 12,058,930</u>	<u>\$ 26,801,570</u>

POWAY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 1,820,546	\$ -	\$ -	\$ 1,820,546
Other State Revenue	2,796,545	99,692	-	2,896,237
Other Local Revenue	6,488,746	9,343,959	1,019,598	16,852,303
Total Revenues	<u>11,105,837</u>	<u>9,443,651</u>	<u>1,019,598</u>	<u>21,569,086</u>
Expenditures:				
Instruction	1,356,949	-	-	1,356,949
Instruction - Related Services	531,419	-	-	531,419
Pupil Services	7,335,591	-	-	7,335,591
General Administration	260,971	-	24,666	285,637
Plant Services	2,765,911	-	3,475,716	6,241,627
Debt Service:				
Principal	-	1,995,000	729,228	2,724,228
Interest	-	8,557,393	129,629	8,687,022
Total Expenditures	<u>12,250,841</u>	<u>10,552,393</u>	<u>4,359,239</u>	<u>27,162,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,145,004)</u>	<u>(1,108,742)</u>	<u>(3,339,641)</u>	<u>(5,593,387)</u>
Other Financing Sources (Uses):				
Transfers In	1,576,318	-	4,735,860	6,312,178
Transfers Out	(150,000)	-	(5,924,599)	(6,074,599)
Total Other Financing Sources (Uses)	<u>1,426,318</u>	<u>-</u>	<u>(1,188,739)</u>	<u>237,579</u>
Net Change in Fund Balance	281,314	(1,108,742)	(4,528,380)	(5,355,808)
Fund Balance, July 1	7,139,040	7,227,314	13,592,418	27,958,772
Fund Balance, June 30	<u>\$ 7,420,354</u>	<u>\$ 6,118,572</u>	<u>\$ 9,064,038</u>	<u>\$ 22,602,964</u>

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	\$ 513,501	\$ 34,965
Cash on Hand and in Banks	3,272	-
Cash in Revolving Fund	-	-
Accounts Receivable	476,248	7,645
Due from Other Funds	7,672	-
Stores Inventories	-	-
Total Assets	<u>\$ 1,000,693</u>	<u>\$ 42,610</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 122,612	\$ 3,109
Due to Other Funds	359,902	6,065
Total Liabilities	<u>482,514</u>	<u>9,174</u>
Fund Balance:		
Reserved Fund Balances:		
Reserve for Revolving Cash	-	-
Reserve for Stores Inventories	-	-
Unreserved, reported in nonmajor:		
Special Revenue Funds	518,179	33,436
Total Fund Balance	<u>518,179</u>	<u>33,436</u>
Total Liabilities and Fund Balances	<u>\$ 1,000,693</u>	<u>\$ 42,610</u>

EXHIBIT C-3

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 2,603,330	\$ 1,667,618	\$ 170,181	\$ 4,989,595
181,813	-	-	185,085
1,250	-	-	1,250
278,453	35,802	1,476	799,624
807	1,500,000	791,000	2,299,479
349,035	-	-	349,035
<u>\$ 3,414,688</u>	<u>\$ 3,203,420</u>	<u>\$ 962,657</u>	<u>\$ 8,624,068</u>
\$ 259,133	\$ 32,280	\$ -	\$ 417,134
420,613	-	-	786,580
<u>679,746</u>	<u>32,280</u>	<u>-</u>	<u>1,203,714</u>
1,250	-	-	1,250
349,035	-	-	349,035
2,384,657	3,171,140	962,657	7,070,069
<u>2,734,942</u>	<u>3,171,140</u>	<u>962,657</u>	<u>7,420,354</u>
<u>\$ 3,414,688</u>	<u>\$ 3,203,420</u>	<u>\$ 962,657</u>	<u>\$ 8,624,068</u>

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Child Development Fund
Revenues:		
Federal Revenue	\$ 109,952	\$ -
Other State Revenue	1,092,867	345,405
Other Local Revenue	480,808	2,270
Total Revenues	<u>1,683,627</u>	<u>347,675</u>
Expenditures:		
Instruction	1,035,734	321,215
Instruction - Related Services	517,393	14,026
Pupil Services	75,616	-
General Administration	64,944	16,300
Plant Services	53,783	-
Total Expenditures	<u>1,747,470</u>	<u>351,541</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(63,843)</u>	<u>(3,866)</u>
Other Financing Sources (Uses):		
Transfers In	26,318	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>26,318</u>	<u>-</u>
Net Change in Fund Balance	(37,525)	(3,866)
Fund Balance, July 1	555,704	37,302
Fund Balance, June 30	<u>\$ 518,179</u>	<u>\$ 33,436</u>

EXHIBIT C-4

Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 1,710,594	\$ -	\$ -	\$ 1,820,546
106,583	1,251,690	-	2,796,545
5,851,000	153,192	1,476	6,488,746
<u>7,668,177</u>	<u>1,404,882</u>	<u>1,476</u>	<u>11,105,837</u>
-	-	-	1,356,949
-	-	-	531,419
7,259,975	-	-	7,335,591
179,727	-	-	260,971
162,174	2,549,954	-	2,765,911
<u>7,601,876</u>	<u>2,549,954</u>	<u>-</u>	<u>12,250,841</u>
66,301	(1,145,072)	1,476	(1,145,004)
-	1,250,000	300,000	1,576,318
-	(150,000)	-	(150,000)
<u>-</u>	<u>1,100,000</u>	<u>300,000</u>	<u>1,426,318</u>
66,301	(45,072)	301,476	281,314
2,668,641	3,216,212	661,181	7,139,040
<u>\$ 2,734,942</u>	<u>\$ 3,171,140</u>	<u>\$ 962,657</u>	<u>\$ 7,420,354</u>

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2008

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 3,482,752	\$ 4,342,330	\$ 7,825,082
Accounts Receivable	8,838	31,156	39,994
Due from Other Funds	-	4,193,854	4,193,854
Total Assets	<u>\$ 3,491,590</u>	<u>\$ 8,567,340</u>	<u>\$ 12,058,930</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 39,233	\$ 6,507	\$ 45,740
Due to Other Funds	2,524,525	424,627	2,949,152
Total Liabilities	<u>2,563,758</u>	<u>431,134</u>	<u>2,994,892</u>
Fund Balance:			
Unreserved, reported in nonmajor:			
Capital Projects Funds	927,832	8,136,206	9,064,038
Total Fund Balance	<u>927,832</u>	<u>8,136,206</u>	<u>9,064,038</u>
Total Liabilities and Fund Balances	<u>\$ 3,491,590</u>	<u>\$ 8,567,340</u>	<u>\$ 12,058,930</u>

POWAY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Capital Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 752,487	\$ 267,111	\$ 1,019,598
Total Revenues	<u>752,487</u>	<u>267,111</u>	<u>1,019,598</u>
Expenditures:			
General Administration	24,666	-	24,666
Plant Services	508,429	2,967,287	3,475,716
Debt Service:			
Principal	-	729,228	729,228
Interest	-	129,629	129,629
Total Expenditures	<u>533,095</u>	<u>3,826,144</u>	<u>4,359,239</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>219,392</u>	<u>(3,559,033)</u>	<u>(3,339,641)</u>
Other Financing Sources (Uses):			
Transfers In	-	4,735,860	4,735,860
Transfers Out	(5,500,000)	(424,599)	(5,924,599)
Total Other Financing Sources (Uses)	<u>(5,500,000)</u>	<u>4,311,261</u>	<u>(1,188,739)</u>
Net Change in Fund Balance	(5,280,608)	752,228	(4,528,380)
Fund Balance, July 1	6,208,440	7,383,978	13,592,418
Fund Balance, June 30	<u>\$ 927,832</u>	<u>\$ 8,136,206</u>	<u>\$ 9,064,038</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

POWAY UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2008

The Poway Unified School District was established in 1962 and is comprised of an area of approximately 100 square miles in San Diego County. There were no changes in the boundaries during the current year. The district is currently operating twenty three elementary schools, six middle schools, four comprehensive high schools, and one continuation high school. The district also maintains twenty three preschools, one New Directions program and one Adult School.

<u>Governing Board</u>		
<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Linda Vanderveen	President	Four Year Term Expires December 2012
Andy Patapow	Vice President	Four Year Term Expires December 2012
Todd Gutschow	Clerk	Four Year Term Expires December 2010
Jeff Mangum	Member	Four Year Term Expires December 2010
Penny Ranftle	Member	Four Year Term Expires December 2010

<u>Administration</u>
Donald A. Phillips, Ed.D. Superintendent
John Collins, Ed.D Deputy Superintendent
William Chiment Associate Superintendent
Mel Robertson, Ed.D Assistant Superintendent
Diane Cantelli Assistant Superintendent
Eric Lehew Assistant Superintendent
Malliga Tholandi Chief Business Official

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2008

TABLE D-1

	Revised Second Period Report	Revised Annual Report
Elementary:		
Kindergarten	2,340.04	2,345.65
Grades 1 through 3	6,718.93	6,728.06
Grades 4 through 6	7,063.92	7,069.00
Grades 7 and 8	4,899.21	4,898.74
Home and hospital	2.63	3.00
Special education	538.62	540.89
Elementary totals	<u>21,563.35</u>	<u>21,585.34</u>
High School:		
Grades 9 through 12, regular classes	9,939.99	9,892.34
Home and hospital	2.55	3.38
Special education	330.37	325.56
Continuation education	259.24	253.46
High school totals	<u>10,532.15</u>	<u>10,474.74</u>
Classes for adults:		
Concurrently enrolled	11.14	18.40
Not concurrently enrolled	<u>237.50</u>	<u>365.13</u>
ADA totals	<u>32,344.14</u>	<u>32,443.61</u>
	Hours of Attendance	
Summer School		
Elementary	135,217	
High School	266,980	

Average daily attendance is a measurement of the number of pupils attending classes of the district. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2008

TABLE D-2

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,680	36,000	36,000	180	-	Complied
Grade 1	47,149	50,400	54,260	180	-	Complied
Grade 2	47,149	50,400	54,260	180	-	Complied
Grade 3	47,149	50,400	54,260	180	-	Complied
Grade 4	49,684	54,000	54,285	180	-	Complied
Grade 5	49,684	54,000	54,285	180	-	Complied
Grade 6	60,703	54,000	60,722	180	-	Complied
Grade 7	60,703	54,000	60,722	180	-	Complied
Grade 8	60,703	54,000	60,722	180	-	Complied
Grade 9	54,441	64,800	64,808	180	-	Complied
Grade 10	54,441	64,800	64,808	180	-	Complied
Grade 11	54,441	64,800	64,808	180	-	Complied
Grade 12	54,441	64,800	64,808	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2008

TABLE D-3

General Fund	(Budget) 2009	2008	2007	2006
Revenues and other financial sources	\$ 258,930,750	\$ 267,051,747	\$ 267,729,791	\$ 233,396,655
Expenditures, other uses and transfers out	261,348,122	272,506,958	260,652,718	231,165,988
Change in fund balance (deficit)	(2,417,372)	(5,455,211)	7,077,073	2,230,667
Ending fund balance	\$ 17,837,319	\$ 20,254,691	\$ 25,709,902	\$ 18,632,829
Available reserves	\$ 17,222,016	\$ 19,639,334	\$ 25,076,570	\$ 18,250,509
Available reserves as a percentage of total outgo	6.6%	7.2%	9.6%	7.9%
Total long-term debt	\$ 778,819,153	\$ 792,491,936	\$ 649,394,614	\$ 548,940,067
Average daily attendance at P-2	32,405	32,344	31,892	31,735

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

The district's general fund balance has increased by \$3,852,530 over the past three years. The fiscal year 2008-09 budget projects a decrease of \$2,417,372. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses and transfers out.

Long-term debt has increased by \$412,501,482 over the past three years.

Average daily attendance (ADA) has increased by 369 over the past three years.

POWAY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

TABLE D-4

	Special Reserve Fund for Capital Outlay	Capital Projects Fund for Blended Component Units
June 30, 2008, annual financial and budget report fund balances	\$ 9,776,103	\$ 137,844,361
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts receivable overstatement	(1,639,897)	-
Accounts payable overstatement	-	1,639,897
Net adjustments and reclassifications	(1,639,897)	1,639,897
June 30, 2008, audited financial statement fund balances	\$ 8,136,206	\$ 139,484,258

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2008

TABLE D-5

No charter schools are chartered by Poway Unified School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

POWAY UNIFIED SCHOOL DISTRICT**SCHEDULE OF EXCESS SICK LEAVE**

YEAR ENDED JUNE 30, 2008

TABLE D-6

The following disclosure is made for excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5:

<u>Titles of Employees Exhibiting Excess Sick Leave</u>	<u>Is Excess Sick Leave Authorized By Employee's Contract?</u>	<u>Was Excess Sick Leave Found To Be Accrued For Employee?</u>	<u>Contract Authorizing Excess Sick Leave</u>	<u>Is Excess Sick Leave Authorized In Teachers' Contract?</u>
None	N/A	N/A	N/A	N/A

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

TABLE D-7
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Program:			
Disaster Grant	97.036	-	\$ 136,138
Total U.S. Department of Homeland Security			<u>136,138</u>
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Direct Program:			
Wildlife Restoration *	15.611	-	387
Total U. S. Department of the Interior			<u>387</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Alcohol Abuse Reduction	84.184A	-	556,422
Character Education	84.215S	-	7,753
Elementary and Secondary Counseling	84.215E	-	397,300
Foreign Language Assistance	84.293B	-	107,579
Impact Aid - P.L. 81.874	84.041	-	147,543
Total Direct Programs			<u>1,216,597</u>
Passed Through State Department of Education:			
Adult Education	84.002	03925	109,952
Title I	84.010	03064	890,741
Special Education *	84.027	03379	4,722,008
Vocational Education	84.048	03922	38,257
Transitional Partnership	84.158	03410	186,642
Preschool *	84.173	03430	154,491
Early Intervention	84.181	03385	117,525
Title IV Drug Free	84.186	03453	98,052
Title I Even Start	84.213	03105	172,500
Title V Innovative Education	84.298	04110	17,989
Title II Technology	84.318	04045	3,680
Title III	84.365	04203	245,050
Title II Teacher Quality	84.367	04305	625,048
Advanced Placement	84.369	04363	4,176
Total Passed Through State Department of Education			<u>7,386,111</u>
Total U. S. Department of Education			<u>8,602,708</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	03396	1,710,594
Total U. S. Department of Agriculture			\$ <u>1,710,594</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10,449,827</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

POWAY UNIFIED SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Poway Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other Independent Auditor's Reports

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
250 E Douglas Ave.
El Cajon, CA 92020
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Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of and for the year ended June 30, 2008, which collectively comprise the Poway Unified School District's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Poway Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Poway Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Poway Unified School District's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Poway Unified School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Poway Unified School District's financial statements that is more than inconsequential will not be prevented by the Poway Unified School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Poway Unified School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Poway Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2008

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors

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Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

Board of Trustees
Poway Unified School District
Poway, California 92064-2098

Members of the Board of Trustees:

Compliance

We have audited the compliance of Poway Unified School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Poway Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Poway Unified School District's management. Our responsibility is to express an opinion on Poway Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Poway Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Poway Unified School District's compliance with those requirements.

In our opinion, Poway Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Poway Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Poway Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Poway Unified School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2008

WILKINSON HADLEY KING & CO. LLP

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Auditor's Report on State Compliance

Board of Trustees

Poway Unified School District

Poway, California 92064-2098

Members of the Board of Trustees:

We have audited the basic financial statements of the Poway Unified School District ("District") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2007-08*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Yes
Instructional Materials:		
General Requirements	12	Yes
Grades K-8 Only	1	Yes
Grades 9-12 Only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
GANN Limit Calculation	1	Yes

School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect California State Teachers		
Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Only One School Serving Grades K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Yes
Contemporaneous Records of Attendance, For Charter Schools	1	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	Not Applicable

The term "Not Applicable" is used above to mean either that the District did not offer the program during the current fiscal year or that the program applies only to a different type of local education agency.

Based on our audit, we found that, for the items tested, Poway Unified School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Poway Unified School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2008

Findings and Recommendations Section

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are
are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial
statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that
are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.184A	Alcohol Abuse Reduction Grant
84.215E	Elementary and Secondary Counseling Grant
10.555	National School Lunch Program

Dollar threshold used to distinguish between
type A and type B programs: \$313,495

Auditee qualified as low-risk auditee? X Yes No

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for state programs:	<u>Unqualified</u>
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B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2008-1 (10000)
Attendance

Criteria or Specific Requirement

Select a representative sample of classes and trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.

Condition

In our review of attendance at Mt. Carmel High School we noted that the school required teachers to keep attendance in their classroom and to verify the absences that are in the attendance system. The reports that teachers were using only showed absences and were not a complete record of attendance for the day. In addition, the teachers were not verifying the accuracy of what was in the attendance system; consequently, they were signing their handwritten attendance books which were not compared to the attendance system. In review of the handwritten attendance books, dates were not clear and as such, we were unable to trace absences as noted in the attendance books to the data which was recorded in the attendance system. In addition, one of the five teachers selected was unable to provide any attendance records. The school did not have a system in place to ensure that all attendance was being accounted for. We selected thirty absences as documented by parent notes or phone calls to the attendance staff and noted all thirty had been recorded properly in the attendance system.

In our review of attendance at Mesa Verde Middle School we noted that the school did not maintain signed teacher rosters verifying accuracy of data entered into the attendance system. Teachers entered the absences into the system; however, there is no support that the amounts entered were verified.

Questioned Costs

None

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Recommendation

We recommend the schools implement procedures to require printing of teacher rosters that are verified and signed weekly by all teachers. All records should be tracked and maintained by the attendance staff for audit purposes.

LEA's Response

Following the auditor's recommendation, the district held a workshop for all the site attendance clerks, supervisors and district office attendance clerks where the importance of daily attendance rosters, teacher signatures and other pertinent attendance regulations were addressed in detail. This workshop was conducted by our auditor, P. Robert Wilkinson. The Deputy Superintendent followed up with a detailed letter to the Principals stressing the importance of rosters and teacher signatures.

Finding 2008-2 (71000)
Teacher Credentials

Criteria or Specific Requirement

If any teacher, as selected for attendance testing, was assigned to teach a class in which more than 20% of the pupils were English learners, determine whether the teacher was authorized to instruct limited-English-proficient pupils pursuant to the provisions of Education Code Section 44253.3, 44253.4, or 44253.10.

Condition

In our review of teacher credentials we noted one teacher out of twenty nine selected who did not have an authorization to instruct limited-English-proficient pupils was assigned to teach a class that had 33% limited-English-proficient pupils.

Questioned Costs

None

Recommendation

We recommend the district implement procedures requiring all teachers assigned to teach greater than 20% limited-English-proficient pupils to be required to have the appropriate certification to do so. We recommend that an individual at each school site review assignments and credentials to ensure that all assignments are appropriate for each teachers credentials.

LEA's Response

In following up with this finding, we discovered that the teacher noted had indeed completed the course work to apply for the CLAD; however, she did not fill out the application form to the state. She is ordering transcripts and will be completing the process this summer.

Finding 2008-3 (40000)
Morgan Hart Class Size Reduction

Criteria or Specific Requirement

Review the district's report of enrollment for the Morgan-Hart Class Size Reduction Program and trace the data, after determining that it is mathematically correct, to supporting summaries.

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Condition

In our review of the districts report of enrollment for the Morgan Hart Class Size Reduction program we noted a clerical error which resulted in overstating 1 FYEE at Poway High School.

Questioned Costs

\$213

Recommendation

We recommend the district amend their report of enrollment for the Morgan Hart Class Size Reduction program. In addition, we recommend the district implement policies for careful review of all applications to ensure accurate reporting.

LEA's Response

We have amended our enrollment report for the Morgan Hart Class Size Reduction Program. We will ensure that an audit of the calculations is done before the reports are submitted to the California Department of Education.

Finding 2008-4 (40000)

After School Education and Safety Program - After School Component

Criteria or Specific Requirement

- A. Determine whether the district established a policy regarding reasonable early daily release of pupils from the program.
- B. For schools selected determine whether elementary school pupils participated in the full day of the after school program on every day during which pupils participated, and determine whether pupils in middle schools attended the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy.

Condition

- A. The district did not establish a policy regarding reasonable early daily release of pupils from the program.
- B. In review of attendance sheets for Valley Elementary School, pupils participating in the program were released early without documentation of the reason for early release. In review of attendance sheets at Bernardo Heights Middle School and Black Mountain Middle School time in/out was not included on the attendance sheets. We were not able to determine if students attended a minimum of nine hours per week and three days per week.

Questioned Costs

Days students served is questioned at the following school sites for the third quarter tested:

Bernardo Heights Middle School - 9,543 days

Black Mountain Middle School - 9,376 days

Valley Elementary School - 4,875 days

Total questioned for third quarter tested - 23,794 days

Recommendation

We recommend the District establish a policy regarding reasonable early release of pupils from the after school program. In addition, we recommend the District document the time in and out of the program in order to determine if elementary students participated the full day of the program and to determine if middle school students participated a minimum of nine hours and three days a week. The District should also document the reason for early release in order to ensure that it is within their established policy regarding reasonable early daily release.

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

LEA's Response

Early release and late arrival was added to the registration application at the end of the 2007-08 school year. The Director of the ASES program is also drafting a policy and procedures for ASES and this will be addressed. We also included early release/late arrival coding to be used when student arrives late or leaves early.

Finding 2008-5 (40000)

After School Education and Safety Program - Before School Component

Criteria or Specific Requirement

- A. Determine whether the District established a policy regarding reasonable late daily arrival of pupils to the program.
- B. Determine whether the District operated the before school program for not less than one and one half hours per regular school day.
- C. Determine whether attendance by pupils for less than one-half of the daily program hours was included in the report of students served. Determine whether elementary school pupils participated in the full day of the before school program on every day which pupils participated, and determine whether pupils in middle schools attended the before school program a minimum of six hours a week and three days a week, except as consistent with the late arrival policy.

Condition

- A. The District did not establish a policy regarding reasonable late daily arrival of pupils to the program.
- B. In our review of the schools schedule at Valley Elementary School we noted that the schedule indicated that the program operated from 6:30 am to 8:00 am which meets the requirement; however, in our review of attendance records the program actually operated from 6:30 am to 7:45 am which does not meet the requirement.
- C. In review of attendance sheets for Valley Elementary School, Bernardo Heights Middle School and Black Mountain Middle School there was no documentation of arrival time for the students. We could not determine if students attended for more than one-half of the daily program hours, if elementary students participated in the full day of the before school program, or if middle school students participated a minimum of six hours a week and three days a week.

Questioned Costs

Days students served is questioned at the following school sites for the third quarter tested:

Bernardo Heights Middle School - 10,769 days
Black Mountain Middle School - 7,222 days
Valley Elementary School - 2,372 days
Total questioned for third quarter tested - 20,363 days

Recommendation

We recommend the District establish a policy regarding reasonable late arrival of pupils to the before school program. The district should establish policies to ensure all before school programs are operating a minimum of one and one-half hours and that documentation on brochures and attendance records are in agreement with each other. In addition, the district should document the time arrived and released from the program in order to determine if students attended for at least one-half of the program time, and if elementary students participated in the full program and middle school students participated a minimum of six hours per week and three days per week, except as consistent with the late arrival policy.

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

LEA's Response

Early release and late arrival was added to the registration application at the end of the 2007-08 school year. The Director of the ASES program is also drafting a policy and procedures for ASES and this will be addressed. We also included early release/late arrival coding to be used when a student arrives late or leaves early.

POWAY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2007-1 Compensated Absences</p> <p>27 employees exceeded the maximum carryover of vacation allowed by district policy without receiving written approval.</p> <p>We recommended the district implement procedures to reduce vacation carryover for employees who exceeded the maximum as allowed by district policy. In addition, we recommended the district obtain written approval for those employees who exceeded the maximum allowed.</p>	Implemented	
<p>Finding 2007-2 I-9 Employment Eligibility Forms</p> <p>The district was unable to locate I-9 forms for several employees who were currently employed by the district.</p> <p>We recommended the district implement procedures to obtain and retain I-9 forms in compliance with the Department of Homeland Securities retention policies.</p>	Implemented	
<p>Finding 2007-3 Student Body Funds - Westview High School</p> <p>Some cash transmittal forms did not reflect preparer and/or verification signatures for cash collected.</p> <p>We recommended the district implement procedures requiring appropriate signatures on the cash transmittal form.</p>	Implemented	
<p>Finding 2007-4 Teacher Credentials</p> <p>One out of twenty nine selected teachers did not have authorization in his credential to instruct limited-English-proficient pupils and was assigned to teach a class that had 35% limited-English-proficient pupils.</p> <p>We recommended that the district implement procedures requiring all teachers assigned to teach greater than 20% limited-English-proficient pupils to have the appropriate certification.</p>	Being Implemented	See current year finding

POWAY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding 2007-5 Attendance Reporting</p> <p>10 out of 60 absences selected from phone logs at Westview High School were not recorded in the attendance system as absences.</p> <p>We recommended the district amend the P2 and Annual reports of attendance. In addition, we recommended the district designate a centralized attendance clerk at the school site to review teacher phone logs and recording of absences.</p>	Implemented	
<p>Finding 2007-6 Morgan Hart Class Size Reduction</p> <p>Inconsistencies in the report used to prepare the Morgan Hart Report of Enrollment resulted in an overstatement of 5 FYEE.</p> <p>We recommended the district amend the Morgan Hart Report of Enrollment. In addition, we recommended the district implement procedures to review reports prior to use in preparing data for submission to CDE.</p>	Implemented	

